



THE

FEDERAL

RESERVE

BANK

OF

PHILADELPHIA

1 9 9 2

A N N U A L

R E P O R T



## Table of Contents

<b>2</b>	<b>PRESIDENT'S LETTER</b>
<b>4</b>	<b>FIRST VICE PRESIDENT'S LETTER</b>
<b>7</b>	<b>NEWS AND VIEWS: THE THIRD DISTRICT ECONOMY</b>
<b>17</b>	<b>DIRECTORS, OFFICERS AND ADVISORY COUNCILS</b>
<b>22</b>	<b>STATEMENT OF CONDITION</b>
<b>23</b>	<b>EARNINGS AND EXPENSES</b>
<b>24</b>	<b>OPERATING STATISTICS</b>

## President's Letter

**O**UR NATION'S ECONOMY GREW AT A MODEST PACE IN 1992, AND BY YEAR-END THE PROSPECTS FOR SUSTAINABLE GROWTH HAD SIGNIFICANTLY IMPROVED. HERE IN THE THIRD DISTRICT, WE ALSO BEGAN TO SEE SIGNS OF EXPANSION LAST YEAR. NOT EVERY SECTOR OR AREA IS GROWING YET, BUT I SENSE THAT OVERALL BUSINESS ACTIVITY IS ON THE UPSWING.



ONCE A REGION HEAVILY DEPENDENT ON MANUFACTURING, THE THIRD DISTRICT HAS DEVELOPED A MUCH MORE DIVERSIFIED ECONOMIC BASE IN RECENT YEARS. IN THE EARLY 1970S, MORE THAN ONE-THIRD OF THE JOBS IN THE THREE DISTRICT STATES WERE IN MANUFACTURING. BY THE LATE 1980S, THAT PROPORTION HAD DECLINED TO LESS THAN ONE-FIFTH. TODAY, THE PATTERN OF DISTRICT EMPLOYMENT IN AGRICULTURE, CONSTRUCTION, MANUFACTURING AND THE SERVICES INDUSTRIES CLOSELY MATCHES THAT OF THE NATION.

WITH DIVERSIFICATION, OUR DISTRICT ENJOYED SOLID GROWTH DURING THE EXPANSION OF THE 1980S. JOB GROWTH WAS RELATIVELY STRONG AND, BY THE END OF THE DECADE, UNEMPLOYMENT RATES FOR THE DISTRICT STATES FELL BELOW THE NATIONAL AVERAGE.



UNFORTUNATELY, NEITHER THE ECONOMIC DIVERSIFICATION NOR THE STRONG LABOR MARKETS OF THE LATE 1980S COULD SHIELD US FROM THE RECESSION AND SLOW RECOVERY THAT HAVE PLAGUED THE NATION THUS FAR IN THE 1990S. INDEED, THE THIRD DISTRICT HAS SUFFERED A MORE SERIOUS RECESSION AND SLOWER RECOVERY THAN SOME OTHER PARTS OF THE COUNTRY.

BUT IN THE FALL OF LAST YEAR, WE BEGAN TO SEE SIGNS THAT THE DISTRICT IS ON THE ROAD TO SUSTAINED GROWTH. CONSUMERS BEGAN SHOWING MORE CONFIDENCE, AND THE PACE OF RETAIL SALES PICKED UP. THIRD DISTRICT EMPLOYMENT EDGED UP SLIGHTLY DURING THE FOURTH QUARTER, AND AS WE MOVED INTO 1993, OUR REGULAR SURVEYS INDICATED AN IMPROVEMENT IN THE OVERALL LEVEL OF ECONOMIC ACTIVITY.

WE ALSO SEE CONTINUED IMPROVEMENT IN THE ENVIRONMENT FOR BANK LENDING. BANKS HAVE IMPROVED THEIR CAPITAL POSITIONS AND REDUCED THEIR NONPERFORMING LOANS. LOAN DEMAND FROM SMALL AND MEDIUM-SIZE BUSINESSES HAS PICKED UP SOMEWHAT. BANKERS APPEAR MORE ACTIVE IN SEEKING OUT LENDING OPPORTUNITIES. BANK REGULATORS ARE MORE SENSITIVE ABOUT REGULATORY IMPEDIMENTS TO LENDING. ALL IN ALL, THE STAGE APPEARS SET FOR AN INCREASE IN BANK LENDING DURING 1993.

SINCE EARLY 1989, THE FEDERAL RESERVE HAS BEEN USING ITS TRADITIONAL MONETARY POLICY TOOLS TO HELP FOSTER ECONOMIC PERFORMANCE MORE IN KEEPING WITH OUR NATION'S POTENTIAL. THE FED CONTINUED TO EASE MONETARY POLICY IN 1992. AS A RESULT, SHORT-TERM INTEREST RATES FELL TO THEIR LOWEST LEVELS IN 30 YEARS. BY YEAR-END, STUBBORNLY HIGH LONG-TERM RATES BEGAN TO DECLINE AS WELL.

INFLATIONARY PRESSURES HAVE EASED IN RECENT YEARS, AND THESE GAINS ARE CRUCIAL FOR SUSTAINABLE GROWTH AND PROSPERITY. LOWER INFLATION AND THE PROSPECT OF SMALLER FEDERAL BUDGET DEFICITS SHOULD HELP KEEP LONG-TERM INTEREST RATES LOW AND THUS RAISE THE PATH OF EMPLOYMENT AND ECONOMIC GROWTH IN 1993 AND BEYOND.

*Edward G. Boehne*

EDWARD G. BOEHNE  
PRESIDENT

## Letter from the First Vice President

**T**HROUGHOUT THE THIRD DISTRICT, BANKS AND OTHER COMPANIES ARE RIGOROUSLY RESTRUCTURING THEIR ORGANIZATIONS TO RAISE PRODUCTIVITY AND IMPROVE THE QUALITY OF THEIR SERVICES. WE AT THE PHILADELPHIA FED ARE COMMITTED TO SUPPORTING THE CHANGES OF A NEW, MORE VIGILANT BUSINESS ENVIRONMENT AND TO HELPING BANKS IMPROVE THEIR SERVICES BY UPGRADING OUR OWN.



DURING 1992, WE MADE SIGNIFICANT PROGRESS IN MANY AREAS OF OUR OPERATIONS. WE WORKED TO IMPROVE OUR SERVICES AND PRODUCTS TO FINANCIAL INSTITUTIONS IN THE DISTRICT. WE ALSO STEPPED UP OUR QUALITY PROGRAMS AND IMPROVED OUR CONTROL SYSTEMS ON A BANK-WIDE BASIS. THE CHALLENGES WERE MANY, BUT OUR EFFORTS HAVE BEEN REWARDED.



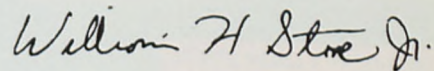
ALREADY THE LARGEST SINGLE-SITE CHECK PROCESSOR IN THE FEDERAL RESERVE SYSTEM, OUR BANK EXPERIENCED A MAJOR INCREASE IN VOLUME IN 1992. THE TOTAL NUMBER OF ITEMS PROCESSED WAS UP BY ALMOST 10 PERCENT OVER 1991.

OUR FOCUS ON QUALITY AND CONTROL EFFORTS HELPED DISTINGUISH US IN OTHER AREAS OF THE BANK, TOO. OUR DATA SECURITY CONTROLS, FOR INSTANCE, PRESENTLY RANK AMONG THE BEST IN THE FEDERAL RESERVE SYSTEM.

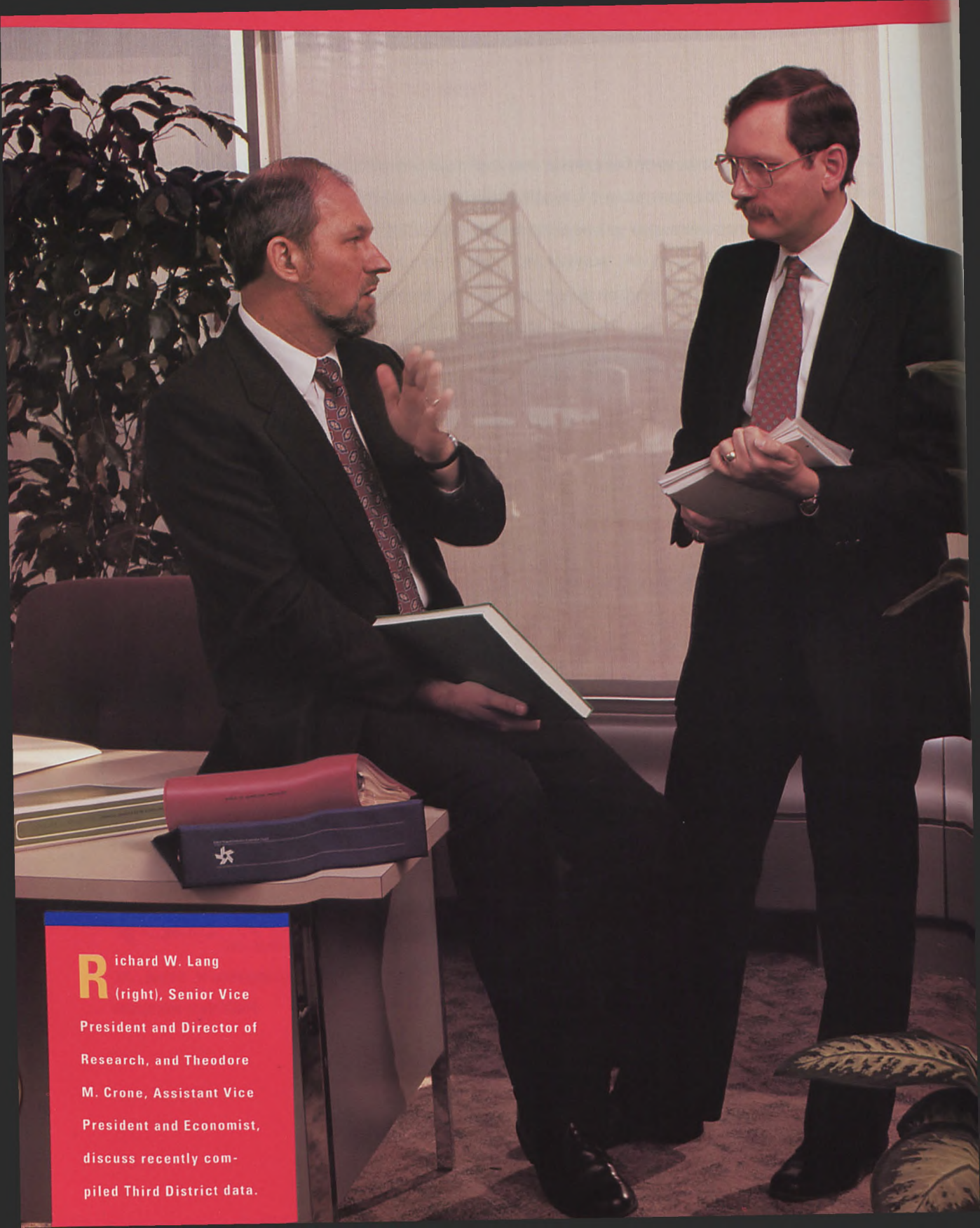
THE CHALLENGES TO OUR SUPERVISORY ACTIVITIES OVER THE PAST YEAR WERE INDEED NUMEROUS. OUR SUPERVISION AND REGULATION DEPARTMENT HAS UNDERGONE MANY CHANGES SINCE THE PASSAGE OF THE FDIC IMPROVEMENT ACT. WE ADDED STAFF AND REORGANIZED THE DEPARTMENT IN ORDER TO BETTER COORDINATE AND IMPROVE SUPERVISORY ACTIVITIES.

ALL IN ALL, WE ACCOMPLISHED THE GOALS WE SET FOR OURSELVES BECAUSE PEOPLE AT ALL LEVELS OF OUR OPERATIONS WERE ENCOURAGED TO GET INVOLVED. THE TEAM EFFORT OF OUR EMPLOYEES WAS THE KEY TO A SUCCESSFUL YEAR.

IN THE SPIRIT OF A STRENGTHENED ENVIRONMENT, WE WILL CONTINUE IMPROVING THE SERVICES WE PROVIDE YOU, JUST AS YOU CONTINUE IMPROVING SERVICES TO YOUR CUSTOMERS.

A handwritten signature in dark ink, reading "William H Stone Jr." with a stylized flourish at the end.

WILLIAM H. STONE, JR.  
FIRST VICE PRESIDENT



**R**ichard W. Lang  
(right), Senior Vice  
President and Director of  
Research, and Theodore  
M. Crone, Assistant Vice  
President and Economist,  
discuss recently com-  
piled Third District data.



**G**IVEN ITS LOCATION, IT'S TEMPTING TO THINK OF THE THIRD FEDERAL RESERVE DISTRICT AS A SLICE OF THE EASTERN "MEGALOPOLIS" OR A SECTION IN THE NORTHEAST RUST BELT. BUT THE DISTRICT SERVED BY THE FEDERAL RESERVE BANK OF PHILADELPHIA IS AN ECONOMICALLY DIVERSE ONE.

PHILADELPHIA ITSELF IS THE FOURTH MOST POPULOUS METROPOLITAN AREA IN THE NATION—HOME TO SOME 5 MILLION PEOPLE. BUT NOT FAR FROM THE CITY—IN PARTS OF SOUTH JERSEY, SOUTHERN DELAWARE AND SOUTH-CENTRAL PENNSYLVANIA—FARMING IS STILL A MAJOR INDUSTRY.

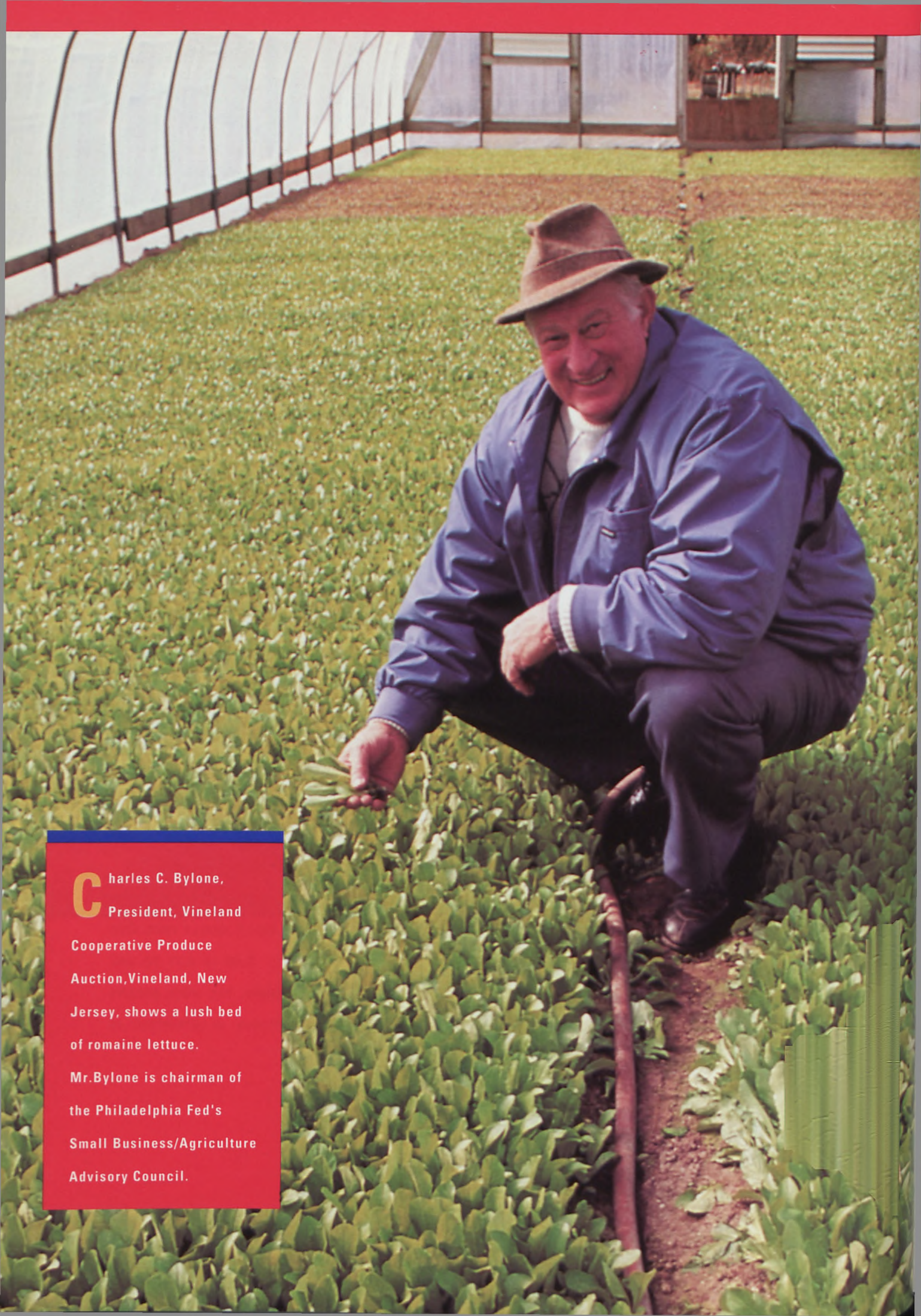
IN A SENSE, THE THIRD DISTRICT IS A MICROCOSM OF THE NATION. THERE'S A LITTLE BIT OF EVERYTHING HERE. THE PROPORTIONS OF OUR WORK FORCE ENGAGED IN AGRICULTURE, MANUFACTURING AND THE SERVICE INDUSTRIES CLOSELY MATCH THOSE OF THE COUNTRY AS A WHOLE.

BUT THE DISTRICT HAS ITS SPECIALTIES AS WELL—SUCH AS HEALTH CARE. WE HAVE A LARGE NUMBER OF MEDICAL CENTERS AND A CONCENTRATION OF PHARMACEUTICAL RESEARCH AND PRODUCTION COMPANIES.

NATIONAL ECONOMIC SHIFTS AND TRENDS HAVE AN IRREGULAR IMPACT ON A REGION AS HETEROGENEOUS AS OURS. NEW JERSEY, FOR EXAMPLE, PROSPERED DURING THE LONG EXPANSION OF THE 1980S. A BUILDING BOOM, COUPLED WITH A SURGING FINANCIAL SERVICES INDUSTRY AND CASINO GAMBLING IN ATLANTIC CITY, BROUGHT TREMENDOUS GROWTH TO THE STATE. BUT WHEN THE BUILDING STOPPED, THE STATE SLIPPED BADLY.

MEANWHILE IN PENNSYLVANIA, THE EXPANSION OF THE 1980S NEVER REALLY PRODUCED A BOOM AND THE ENSUING RECESSION NEVER PRODUCED A BUST. THIS IS NOT TO SAY PENNSYLVANIA WAS SPARED A RECESSION. AS IS TYPICAL OF RECESSIONS, THE MOST RECENT RECESSION HIT MANUFACTURING EMPLOYMENT HARD AND MANUFACTURING IS IMPORTANT IN PENNSYLVANIA.





**C**harles C. Bylone,  
President, Vineland  
Cooperative Produce  
Auction, Vineland, New  
Jersey, shows a lush bed  
of romaine lettuce.  
Mr. Bylone is chairman of  
the Philadelphia Fed's  
Small Business/Agriculture  
Advisory Council.



M

OREOVER, MUCH OF PENNSYLVANIA COMPRISES SMALL TOWNS WHERE ONE FIRM REPRESENTS THE MAJOR SOURCE OF EMPLOYMENT. AS INDIVIDUAL FIRMS FALTER, INDIVIDUAL COMMUNITIES FEEL THE IMPACT.

DELAWARE, ONE OF THE SMALLEST STATES IN THE NATION, TOOK ITS ECONOMIC DESTINY INTO ITS OWN HANDS—AND HAS REAPED THE REWARDS. WITH THE PASSAGE OF ITS FINANCIAL CENTER DEVELOPMENT ACT IN 1981, DELAWARE BECAME THE LOCATION OF CHOICE FOR CREDIT-CARD AND OTHER OPERATIONS FOR A NUMBER OF THE NATION'S LARGEST BANKS. OVER THE NEXT 10 YEARS, FINANCIAL-SECTOR EMPLOYMENT DOUBLED AND OVERALL JOB GROWTH IN THE STATE WAS ONE AND A HALF TIMES THE NATIONAL AVERAGE.

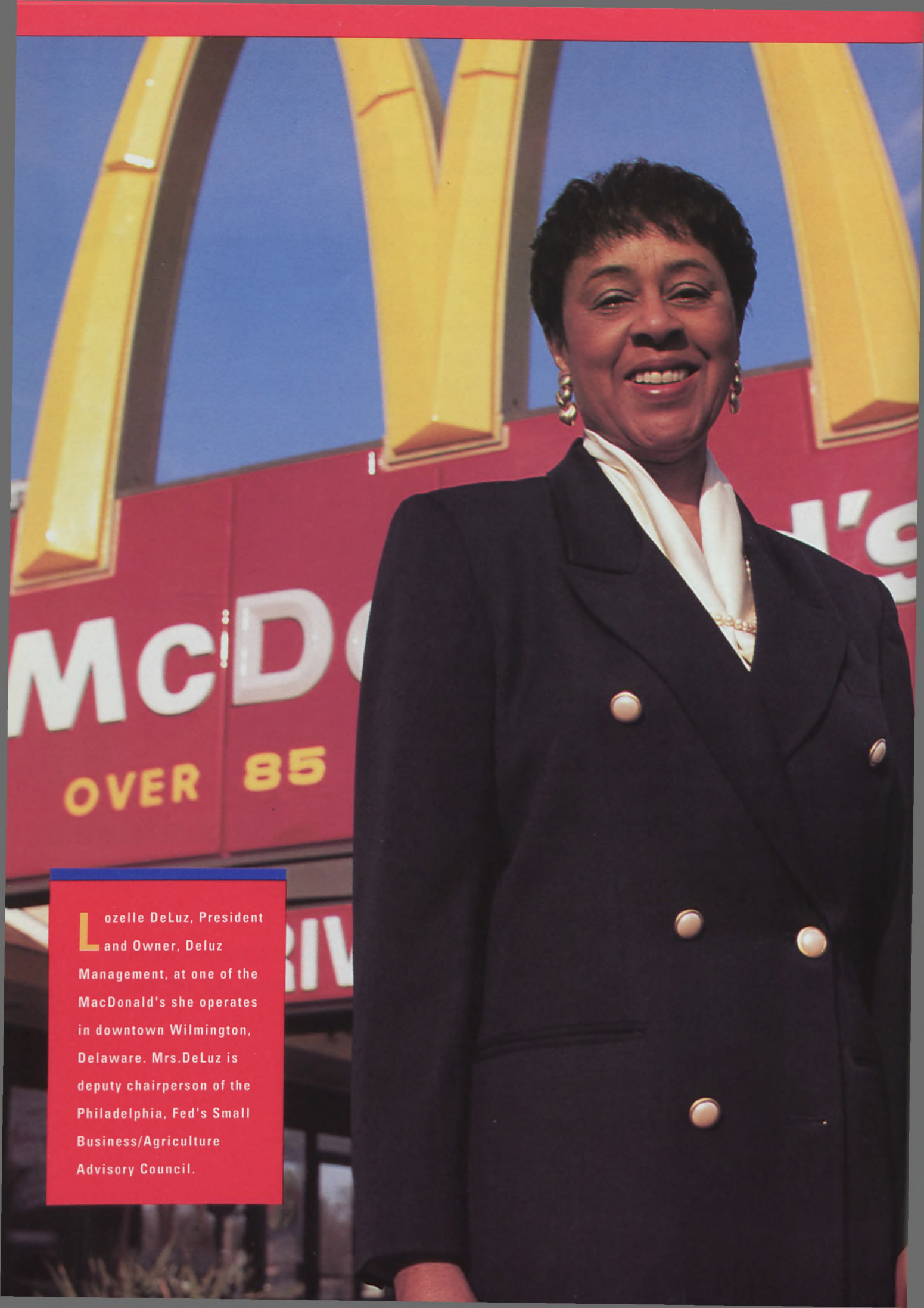
THOUGH EMPLOYMENT DECLINED IN DELAWARE DURING THE RECESSION, IT IS THE FIRST OF THE DISTRICT STATES TO REGAIN ITS PRE-RECESSION EMPLOYMENT LEVEL.

ON THE WHOLE, THE MOST RECENT RECESSION HIT THE THIRD DISTRICT HARDER THAN THE REST OF THE NATION. AT THE RECESSION'S WORST, WHICH FOR THIS REGION CAME IN THE THIRD QUARTER OF 1992, DISTRICT EMPLOYMENT HAD DECLINED 4 PERCENT. MORE THAN THREE-QUARTERS OF JOBS LOST WERE IN MANUFACTURING AND CONSTRUCTION, BUT AGAIN MIRRORING THE NATION, AN UNUSUALLY HIGH PERCENTAGE WERE IN THE SERVICE INDUSTRIES.

AS 1992 DREW TO A CLOSE, WE WERE ONLY STARTING TO SEE THE FIRST SIGNS OF A GENUINE ECONOMIC RECOVERY. EMPLOYMENT EDGED UP IN THE DISTRICT DURING THE FOURTH QUARTER. RETAILERS REPORTED HEALTHY HOLIDAY SALES, AND A GROWING NUMBER OF RESPONDENTS TO OUR *BUSINESS OUTLOOK SURVEY* REPORTED STEPPED-UP PRODUCTION.

AS THE RECESSION FADES AND THE RECOVERY GETS UNDER WAY, THE LONG-RUN TRENDS AT WORK IN OUR DISTRICT WILL REEMERGE. AGAIN THE TRENDS ARE NATIONAL, BUT THE SPECIAL CHARACTERISTICS OF THE DISTRICT SHAPE THEIR IMPACT HERE.





**L**ozelle DeLuz, President and Owner, Deluz Management, at one of the MacDonald's she operates in downtown Wilmington, Delaware. Mrs.DeLuz is deputy chairperson of the Philadelphia, Fed's Small Business/Agriculture Advisory Council.



M

ANUFACTURED GOODS REPRESENT A STEADY SHARE OF THE NATION'S OUTPUT, BUT MANUFACTURING JOBS REPRESENT A DECLINING SHARE OF THE NATION'S EMPLOYMENT, AS PRODUCTIVITY IN THAT SECTOR CONTINUES TO RISE RAPIDLY.

OUR OWN DISTRICT IS NO EXCEPTION TO THAT TREND. OUR MID-ATLANTIC MANUFACTURING INDEX SHOWS OUTPUT GROWING AT AN ANNUAL RATE OF 1 1/4 PERCENT DURING THE 1980s, WHILE MANUFACTURING EMPLOYMENT WITHIN THE DISTRICT FELL AT NEARLY A 1 PERCENT RATE.

THE DEMOGRAPHICS OF OUR DISTRICT ACCENTUATE THE IMPACT OF TWO OTHER NATIONAL EMPLOYMENT TRENDS: THE DECLINE OF CONSTRUCTION AND THE RISE OF SERVICES.

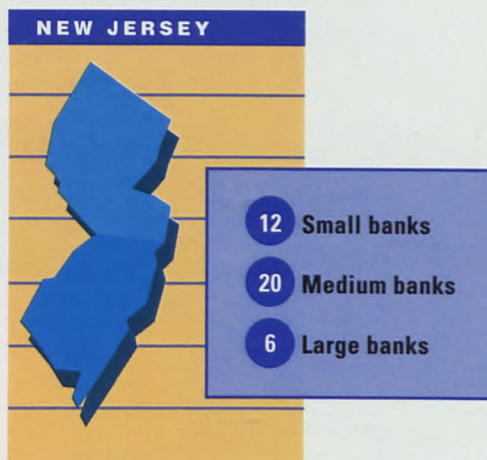
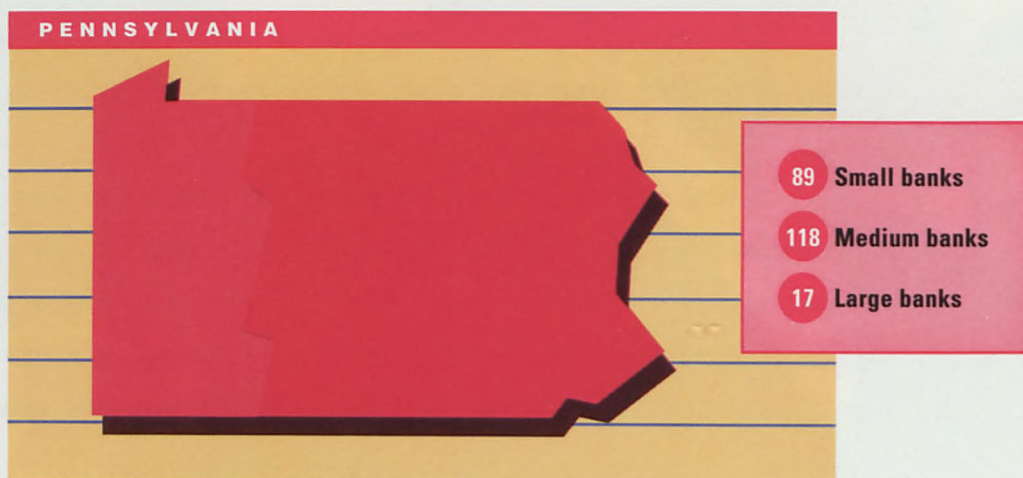
ACROSS THE COUNTRY, THE AGING OF THE BABY BOOMERS IS SLOWING THE RATE OF HOUSEHOLD FORMATION. OVER TIME THIS IS DIMINISHING THE DEMAND FOR NEW HOMES. MEANWHILE, PEOPLE ARE LIVING LONGER AND THIS AGING POPULATION IS DEMANDING MORE HEALTH CARE SERVICES. HERE IN THE THIRD DISTRICT, GROWTH IN THE WORKING-AGE POPULATION LAGS THE REST OF THE NATION AND THE AVERAGE AGE OF THIRD DISTRICT RESIDENTS EXCEEDS THE NATIONAL AVERAGE.

PERHAPS NOWHERE ARE NATIONAL TRENDS HAVING MORE OF AN IMPACT THAN ON THE DISTRICT'S BANKING INDUSTRY. OF COURSE, THE IMPACT OF THE FDIC IMPROVEMENT ACT OF 1991 HAS YET TO BE FELT COMPLETELY. THE LAW HAS ALREADY TIGHTENED REGULATORY STANDARDS AND FOSTERED MORE CAUTIOUS LENDING PRACTICES, BUT OTHER PROVISIONS CONCERNING BANK MANAGEMENT PRACTICES AND RESPONSIBILITIES HAVE YET TO BE IMPLEMENTED.



# A N INSIDE VIEW...

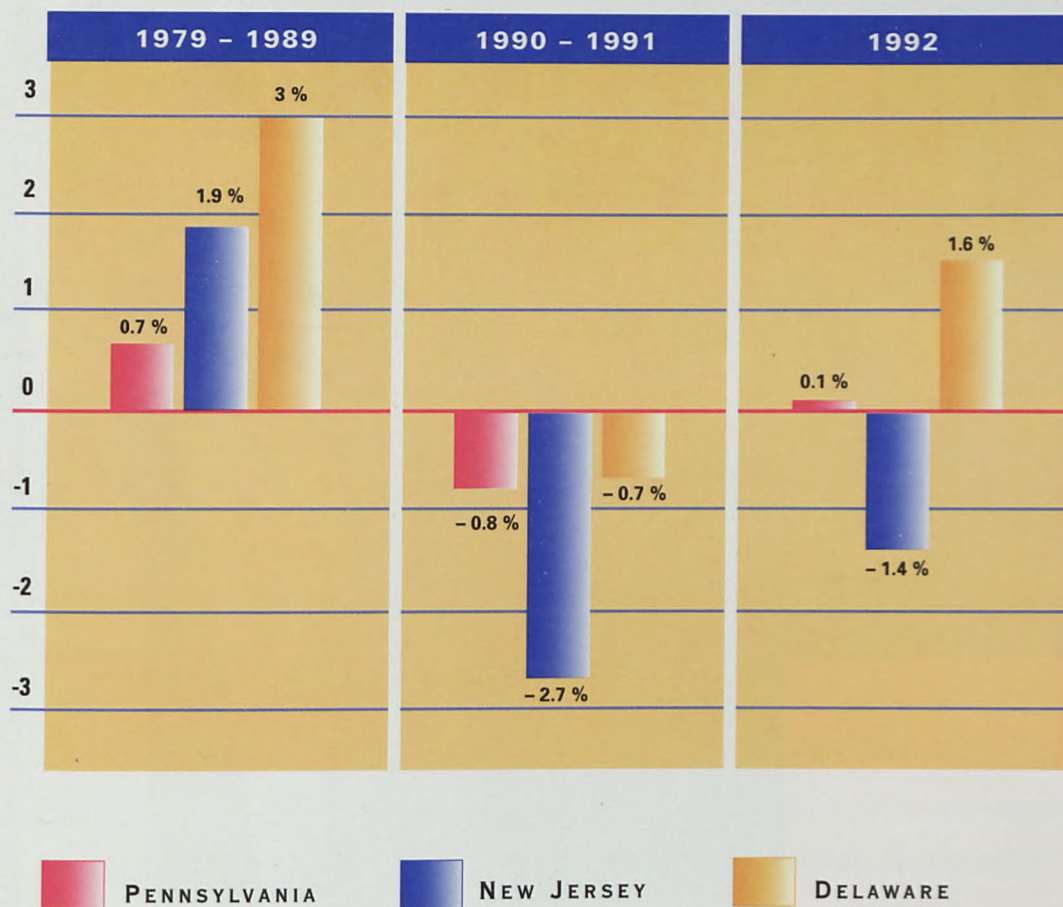
BY EACH OF THE MAPS BELOW, WE'VE INDICATED THE NUMBER OF SMALL, MEDIUM AND LARGE COMMERCIAL BANKS (BY ASSETS) IN THE PORTIONS OF THE THREE STATES IN THE THIRD FEDERAL RESERVE DISTRICT. OUR DISTRICT INCLUDES THE EASTERN TWO-THIRDS OF PENNSYLVANIA, SOUTHERN NEW JERSEY AND ALL OF DELAWARE.




- SMALL BANKS — TOTAL ASSETS UNDER \$100 MILLION
- MEDIUM BANKS — BETWEEN \$100 MILLION AND \$1 BILLION
- LARGE BANKS — GREATER THAN \$1 BILLION

# A

## LOOK AT ANNUAL GROWTH IN PAYROLL EMPLOYMENT...





A photograph of two men in a textile factory. On the left, a man in a dark suit and glasses (President Boehne) is looking towards the right. On the right, a man in a light-colored shirt and striped tie (Mike Kanterman) is looking down at a large spool of white thread. They are surrounded by industrial machinery and many large spools of thread.

**P**resident Boehne regularly meets with business and community leaders throughout the Third District. After a recent meeting in Bloomsburg, Pennsylvania, President Boehne visited local businessman Mike Kanterman, Executive Vice President, Magee Industrial Enterprises, Inc. The company manufactures carpeting for automobiles.




**B**UT FOR OVER A DECADE, BANKING IN THE DISTRICT HAS BEEN EVOLVING IN RESPONSE TO CHANGING REGULATION, FINANCIAL INNOVATIONS AND TECHNOLOGICAL ADVANCES. DELAWARE HAS ESTABLISHED ITSELF AS A HARBOR FOR SEVERAL OF THE LARGEST INSTITUTIONS OPERATING ON A NATIONAL SCALE. MEANWHILE IN NEW JERSEY, THE LARGER INSTITUTIONS ARE CAPTURING A GREATER SHARE OF THE BANKING BUSINESS THROUGH CONSOLIDATION. IN PENNSYLVANIA, HOLDING COMPANIES HAD BEEN COMBINING COMMUNITY BANKS INTO NETWORKS TO TAKE ADVANTAGE OF SCALE ECONOMIES. NOW CONSOLIDATION SEEMS TO BE COMING TO PENNSYLVANIA BANKING AS WELL.

THROUGHOUT THE YEAR, WE HEARD THE FRUSTRATIONS OF PEOPLE DEALING WITH A LINGERING RECESSION—AND RECESSION PSYCHOLOGY. THE HARDWARE STORE OWNER WHO COMPLAINS HIS CUSTOMERS “WILL DRIVE FIVE MILES TO SAVE 25 CENTS.” OR THE BANKER WHO SAYS, “EVERY ONE OF MY CUSTOMERS SAYS THE SAME THING: ‘IT’S BAD OUT THERE, BUT I’VE BEEN LUCKY’.”

BUT THEY EXPRESS EVEN GREATER CONCERNS ABOUT THE LONG-RUN ISSUES: THE RESPONSIVENESS OF GOVERNMENT; THE QUALITY OF OUR LABOR FORCE; AND THE CHALLENGE OF AN INCREASINGLY INTERNATIONAL ECONOMY.

WHATEVER THE CHALLENGES, THIRD DISTRICT BUSINESSES RESPOND WITH PRACTICALITY AND PURPOSE. ASKED HOW HE SURVIVES DIFFICULT TIMES, ONE FARMER SAID SIMPLY, “WE DIVERSIFY OUR PRODUCTS AND WE MAINTAIN OUR QUALITY.” A DISTRICT BUSINESSWOMAN PUT HER MISSION THIS WAY: “WE SERVE OUR CUSTOMERS AND WE SERVE OUR COMMUNITY.”





**D**eputy Chairperson of  
the Board Jane G.  
Pepper, President of the  
Pennsylvania Horticultural  
Society, Philadelphia,  
Pennsylvania, and Chairman  
of the Board Peter A.  
Benoliel, Chairman of  
Quaker Chemical Corp.,  
Conshohocken, Pennsylvania



## Board of Directors

IN 1992, JAMES A. HAGEN WAS ELECTED A CLASS B DIRECTOR, REPLACING NICHOLAS RISO.

### **Chairman**

**Peter A. Benoliel**

*Chairman*

*Quaker Chemical Corp.*

*Conshohocken, PA*

### **Deputy Chairperson**

**Jane G. Pepper**

*President*

*The Pennsylvania Horticultural Society*

*Philadelphia, PA*

**James A. Hagen**

*President and Chief Executive Officer*

*Consolidated Rail Corp. (CONRAIL)*

*Philadelphia, PA*

**David W. Huggins**

*President and Chief Executive Officer*

*RMS Technologies, Inc.*

*Marlton, NJ*

**Donald J. Kennedy**

*Business Manager*

*International Brotherhood of*

*Electrical Workers Local Union #269*

*Trenton, NJ*

**H. Bernard Lynch**

*President and Chief Executive Officer*

*The First National Bank of Wyoming*

*Wyoming, DE*

**Samuel A. McCullough**

*Chairman and Chief Executive Officer*

*Meridian Bancorp, Inc.*

*Reading, PA*

**James M. Mead**

*President and Chief Executive Officer*

*Capital Blue Cross*

*Harrisburg, PA*

**Gary F. Simmerman**

*President and Chief Executive Officer*

*United Jersey Bank/South, N.A.*

*Cherry Hill, NJ*



## Officers

IN 1992, THE FOLLOWING CHANGES WERE MADE IN OUR SUPERVISION AND REGULATION DEPARTMENT: STEPHEN M. HOFFMAN WAS NAMED VICE PRESIDENT RESPONSIBLE FOR INTERNATIONAL EXAMINATIONS, AUTOMATION AND SURVEILLANCE AND SUPPORT, AND MICHAEL E. COLLINS BECAME VICE PRESIDENT IN CHARGE OF EXAMINATION PROCESSING AND QUALITY CONTROL, ENFORCEMENT AND CREDIT DISCOUNT. JOHN J. DIEBEL WAS PROMOTED TO ASSISTANT VICE PRESIDENT OF INTERNATIONAL EXAMINATIONS; JOHN V. HEELAN WAS APPOINTED INTERNATIONAL EXAMINATIONS OFFICER AND JOAN M. IMMEL BECAME EXAMINATIONS REVIEW OFFICER. THOMAS L. TWEEDALE WAS NAMED ASSISTANT VICE PRESIDENT OF THE SURVEILLANCE AND SUPPORT UNIT, AND EILEEN P. ADEZIO WAS NAMED ASSISTANT VICE PRESIDENT OF THE ENFORCEMENT SECTION.

IN OUR CHECK OPERATIONS DEPARTMENT, D. BLAKE PRICHARD WAS APPOINTED SENIOR VICE PRESIDENT; KEVIN J. MCCABE WAS NAMED ASSISTANT VICE PRESIDENT AND HENRY T. KERN WAS PROMOTED TO ASSISTANT VICE PRESIDENT IN CHARGE OF CHECK ADJUSTMENTS AND RETURN ITEMS.

IN OTHER OFFICIAL CHANGES, JEANETTE M. PALADINO OF THE LEGAL DEPARTMENT WAS PROMOTED TO ASSISTANT COUNSEL.

IN CHANGES OF OFFICIAL ASSIGNMENT, SENIOR VICE PRESIDENT PETER M. DIPLACIDO ASSUMED RESPONSIBILITY FOR THE GENERAL ADMINISTRATIVE SERVICES DEPARTMENT AND JOHN B. SHAFER WAS NAMED VICE PRESIDENT OF ACCOUNTING AND THE BANK'S CONTROLLER. ANNIE R. WARD WAS NAMED TREASURY DIRECT OPERATIONS OFFICER, AND ASSISTANT VICE PRESIDENT CAMILLE M. OCHMAN ASSUMED RESPONSIBILITY FOR THE SAVINGS BOND DIVISION IN THE FISCAL DEPARTMENT.



<b>Edward G. Boehne</b> President	<b>Donald J. McAneny</b> Vice President and General Auditor	<b>Mary M. Labaree</b> Assistant General Auditor
<b>William H. Stone, Jr.</b> First Vice President	<b>Louis N. Sanfelice</b> Vice President	<b>Thomas P. Lambinus</b> Assistant Vice President
<b>Donald F. Doros</b> Executive Vice President	<b>John B. Shaffer</b> Vice President	<b>Kevin J. McCabe</b> Assistant Vice President
<b>Edward J. Coia</b> Senior Vice President	<b>Milissa M. Tadeo</b> Vice President	<b>Joseph L. McCann</b> Administrative Services Officer
<b>Thomas K. Desch</b> Senior Vice President and Lending Officer	<b>Herbert E. Taylor</b> Vice President and Secretary	<b>Alice J. Menzano</b> Disaster-Recovery Planning and Quality Assurance Officer
<b>Peter M. DiPlacido</b> Senior Vice President	<b>Vish P. Viswanathan</b> Deputy Check Product Manager	<b>Loretta J. Mester</b> Research Officer and Economist
<b>Richard W. Lang</b> Senior Vice President and Director of Research	<b>Eileen P. Adezio</b> Assistant Vice President	<b>Edward Morrison</b> Systems Development Officer
<b>Ronald B. Lankford</b> Senior Vice President	<b>John G. Bell</b> Research Officer	<b>Camille M. Ochman</b> Assistant Vice President
<b>D. Blake Prichard</b> Senior Vice President	<b>Gerard A. Callanan</b> Assistant Vice President and Planning Officer	<b>Jeanette M. Paladino</b> Assistant Counsel
<b>Robert J. Bucco</b> Vice President	<b>Shirley L. Coker</b> Assistant Counsel	<b>Patrick M. Regan</b> Assistant Vice President
<b>J. Warren Bowman, Jr.</b> Vice President	<b>Theodore M. Crone</b> Assistant Vice President and Economist	<b>Edward G. Rutizer</b> Assistant Vice President
<b>Michael E. Collins</b> Vice President	<b>Dean Croushore</b> Research Officer and Economist	<b>Sherrill Shaffer</b> Assistant Vice President and Economist
<b>Robert A. Dobie</b> Vice President	<b>John J. Deibel</b> Assistant Vice President	<b>Richard A. Sheaffer</b> Assistant Vice President
<b>Patrick L. Donahue</b> Vice President	<b>Robert N. Downes, Jr.</b> Assistant Vice President	<b>Ronald R. Sheldon</b> Assistant Vice President
<b>William Evans, Jr.</b> Vice President	<b>Frank E. Eisel, Jr.</b> Assistant Vice President	<b>Marie Tkaczyk</b> Assistant Vice President
<b>Joanna H. Frodin</b> Vice President and Check Product Manager	<b>John V. Heelan</b> International Examinations Officer	<b>Sharon N. Tomlinson</b> Assistant Vice President
<b>Stephen M. Hoffman</b> Vice President	<b>Eugene E. Hendrzak</b> Assistant Vice President	<b>Thomas L. Tweedale</b> Assistant Vice President
<b>Jerry Katz</b> Vice President	<b>Joan M. Immel</b> Examination Review Officer	<b>Annie R. Ward</b> Operations Officer
<b>Edward M. Mahon</b> Vice President and General Counsel	<b>Arun Jain</b> Planning Officer	<b>Elizabeth S. Webb</b> Assistant Counsel
<b>Frederick M. Manning</b> Vice President and Community Affairs Officer	<b>Henry T. Kern</b> Assistant Vice President	<b>Bernard M. Wennemer</b> Assistant Vice President
<b>Stephen A. Meyer</b> Vice President and Associate Director of Research	<b>Alan L. Kiel</b> Assistant Vice President	<b>Anthony J. White</b> Financial Services Officer
		<b>Richard A. Valente</b> Audit Officer



## Advisory Councils

**T**HE BANK'S FOUR ADVISORY COUNCILS INCLUDE REPRESENTATIVES FROM MANY OF THE THIRD DISTRICT'S LEADING INDUSTRIES. THE MEETINGS BETWEEN MEMBERS OF THE COUNCILS AND THE BANK'S SENIOR OFFICERS PROVIDE A VENUE FOR THE EXCHANGE OF IMPORTANT INFORMATION ABOUT LOCAL BUSINESS AND THE ECONOMY. THE 1992 MEMBERS OF THE ADVISORY COUNCILS ARE LISTED BELOW.

### Small Business/Agriculture Advisory Council

#### Chairman

**Charles C. Bylone**

*Vineland Cooperative Produce Auction  
Vineland, NJ*

#### Deputy Chairperson

**Lozelle DeLuz**

*DeLuz Management  
Wilmington, DE*

**Raymond L. Blew, Jr.**

*Centerton Nurseries  
Bridgeton, NJ*

**Donald Clark**

*Clark Seed Company  
Kenton, DE*

**John L. Coates**

*Tri-County Hardware  
Berwick, PA*

**C. William Haines**

*Larchmont Farms  
Mount Laurel, NJ*

**Allan Hawkins**

*Hawkins Cleaning Service  
Philadelphia, PA*

**Eleanor Marquisee**

*Arden Films & Video  
Wilmington, DE*

**William J. Oyler**

*Oyler's Farm  
Biglerville, PA*

**Charles Patitucci**

*Patitucci Agency  
Bridgeton, NJ*

**John C. Simms, VMD**

*Burnt Mill Veterinary Center  
Shippensburg, PA*

**Larry R. Weaver**

*Weaverland Valley Farms  
New Holland, PA*

### Credit Union Advisory Council

#### Chairman

**Robert W. Edmondson**

*Atlantic Employees FCU  
Media, PA*

#### Deputy Chairman

**Anthony LaRosa**

*Police and Fire FCU  
Philadelphia, PA*

**Elisa P. Alexeeve**

*Trenton Auto Workers FCU  
Trenton, NJ*

**David Baker**

*York Educational FCU  
York, PA*

**Martin J. Banecker**

*Campbell Employees FCU  
Camden, NJ*

**Susan Bicking**

*Mobil 1167 FCU  
Paulsboro, NJ*

**Linda Blattenberger**

*Capital Health Systems CU  
Harrisburg, PA*

**Linda Fischer**

*Barrington FCU  
Barrington, NJ*

**Christine M. Kaczmarczyk**

*DEXSTA FCU  
Wilmington, DE*

**Shirlee Nicolino**

*Merck Sharp & Dohme, FCU  
West Point, PA*

**JoAnne Simpson**

*Chryco Newark FCU  
Newark, DE*

**Thomas Swierzy**

*SmithKline Employees FCU  
Philadelphia, PA*



## Community Bank Advisory Council

### Chairperson

**Jane C. Diebert**

Schuylkill Haven Trust Co.  
Schuylkill Haven, PA

### Deputy Chairman

**Ronald C. Brown**

The Yardville National Bank  
Yardville, NJ

**J. Gerald Bazewicz**

The First National Bank of Berwick  
Berwick, PA

**Frederick W. Bisbee**

First National Trust Bank  
Sunbury, PA

**Adolph F. Calovi**

Sun National Bank  
Medford, NJ

**Joseph H. Doble**

Farmers Bank of Mullica Hill  
Mullica Hill, NJ

**Paul H. Mylander**

Delaware National Bank  
Georgetown, DE

**John H. O'Neill**

Bank of Delaware Valley  
Fairless Hills, PA

**Melvin Pankuch**

Blue Ball National Bank  
Blue Ball, PA

**Harold L. Slatcher**

County Bank  
Rehoboth Beach, DE

**Harry W. Van Sciver**

Burlington County Bank  
Burlington, NJ

**Ray L. Wolfe**

Farmers Trust Co.  
Carlisle, PA

## Thrift Institution Advisory Council

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**Jack W. Shader, Sr.**

Harris Savings Bank  
Harrisburg, PA

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Harleysville Savings Bank  
Harleysville, PA

**Ronald W. Bevan**

Delaware Savings Bank, FSB  
Wilmington, DE

**Gregory DiPaolo**

South Jersey Savings & Loan Association  
Turnersville, NJ

**Carl F. Gregory**

Third Federal Savings & Loan  
Philadelphia, PA

**John D. Hollenbach**

First Savings Bank  
Perkasie, PA

**Herbert Hornsby**

Cape Savings Bank, SLA  
Cape May Court House, NJ

**Bruce R. Hostler**

Reliance Savings Association  
Altoona, PA

**William H. Kiick**

First Federal Savings Bank  
Hanover, PA

**Ellen Ann Roberts**

First Financial Savings Bank PASA  
Downingtown, PA

**Patricia A. Saunders**

Morton Savings & Loan Association  
Morton, PA

**Joseph J. Tyron**

Hatboro Federal Savings  
Hatboro, PA



## STATEMENT OF CONDITION

		12/31/92	12/31/91
<b>ASSETS</b>			
<b>Gold certificate account</b>		\$347,000,000	\$318,000,000
<b>Special drawing rights certificates</b>		303,000,000	319,000,000
<b>Other cash - coin</b>		23,521,894	39,844,938
<b>Loans and securities:</b>			
	Discounts and advances	591,880,000	45,290,000
	Federal agency obligations	164,746,239	159,714,271
	United States government securities	8,979,356,206	7,041,384,541
	<b>Total loans and securities</b>	<b>\$9,735,982,445</b>	<b>\$7,246,388,812</b>
<b>Other assets:</b>			
	Cash items in process of collection	538,169,101	592,229,058
	Bank premises-net	45,093,745	44,271,308
	Operating equipment-net	19,248,779	16,706,557
	Foreign currencies	851,937,342	1,312,235,000
	All other	179,412,854	128,912,896
<b>Interdistrict settlement account</b>		2,183,258,569	3,171,568,486
	<b>Total assets</b>	<b>\$14,226,624,729</b>	<b>\$13,189,157,055</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
<b>Note liabilities:</b>	Federal reserve notes	\$11,341,210,181	\$10,872,446,355
<b>Deposits:</b>	Depository institutions' reserves	2,207,168,223	1,469,840,995
	Foreign	5,504,400	7,125,000
	All other	8,052,813 *	73,648,540
	<b>Total deposits</b>	<b>\$2,220,725,436</b>	<b>\$1,550,614,535</b>
<b>Other liabilities:</b>			
	Deferred availability cash items	368,035,076	489,958,715
	All other	62,018,236	65,936,450
	<b>Total liabilities</b>	<b>\$13,991,988,929</b>	<b>\$12,978,956,055</b>
<b>Capital accounts:</b>			
	Capital paid in	117,317,900	105,100,500
	Surplus	117,317,900	105,100,500
	<b>Total liabilities and capital</b>	<b>\$14,226,624,729</b>	<b>\$13,189,157,055</b>

\* Includes payable due to Treasury.



## EARNINGS AND EXPENSES

		12/31/92	12/31/91
<b>Current Earnings:</b>			
	From U.S. government securities	\$504,283,274	\$522,542,526
	From discounts, advances and miscellaneous sources	85,651,898	119,510,419
	From services to depository institutions	41,061,467	37,861,697
	<b>Total current earnings</b>	<b>\$630,996,639</b>	<b>\$679,914,642</b>
<b>Net expenses:</b>			
	Operating expenses (after deducting reimbursable expenses)	70,808,127	65,253,442
	Cost of earnings credits	19,217,932	13,986,254
	<b>Total net expenses</b>	<b>\$90,026,059</b>	<b>\$79,239,696</b>
	<b>Current net earnings</b>	<b>\$540,970,580</b>	<b>\$600,674,946</b>
<b>Additions to current net earnings:</b>			
	Gain on sales of government securities	3,494,576	3,632,617
	Gain on foreign currency transactions	0	15,218,772
	Miscellaneous non/operating income	9,953	3,603
	<b>Total additions</b>	<b>\$3,504,529</b>	<b>\$18,854,992</b>
<b>Deductions from current net earnings:</b>			
	Loss on foreign currency transactions	42,716,899	0
	Miscellaneous non/operating expenses	1,468,155 *	11,953,915 *
	Assessment by the Board of Governors:		
	Board expenditures	5,135,700	4,818,600
	Federal Reserve currency	10,548,662	6,912,056
	<b>Total deductions</b>	<b>\$59,869,416</b>	<b>\$23,684,571</b>
	<b>Net additions (deductions)</b>	<b>(\$56,364,887)</b>	<b>(\$4,829,579)</b>
	<b>Net earnings (before payment to U.S. Treasury)</b>	<b>\$484,605,693</b>	<b>\$595,845,367</b>
<b>Distribution of earnings:</b>			
	Dividends paid	\$6,856,095	\$6,134,888
	Paid to U.S. Treasury (interest on FR notes)	465,532,198	599,783,979
	Retained to equate surplus to capital	12,217,400	(10,073,500)
	<b>Net earnings</b>	<b>\$484,605,693</b>	<b>\$595,845,367</b>

\* Includes nonreimbursed Treasury services.



## OPERATING STATISTICS

		1992	1992	1991	1991
		Volume	Dollar Value	Volume	Dollar Value
<b>SERVICES TO DEPOSITORY INSTITUTIONS</b>					
Wire transfers of funds		5.3 million transfers	\$16.9 trillion	5.0 million transfers	\$16.7 trillion
ACH	Government	37.3 million items	\$52.2 billion	35.0 million items	\$52.2 billion
	Commercial	111.2 million items	\$313.2 billion	90.8 million items	\$287.1 billion
Check processing	U.S. Government	22.6 million checks	\$27.9 billion	23.9 million checks	\$28.3 billion
	All others	1.2 billion checks	\$1.4 trillion	1.1 billion checks	\$1.2 trillion
Cash operations	Currency received and counted	1.0 billion notes	\$13.1 billion	1.0 billion notes	\$11.5 billion
	Coin received and counted	126 thousand bags	\$174 million	150 thousand bags	\$103 million
Loans to depository institutions		1,247	\$2.7 billion	1,046	\$2.5 billion
<b>SERVICES TO U.S. TREASURY</b>					
Electronic book entry transfers		987.9 thousand transfers	\$14.3 trillion	956.6 thousand transfers	\$13.2 trillion
Savings bonds issued		5.2 million bonds	\$914 million	4.4 million bonds	\$444 million
Food stamps redeemed		162.4 million coupons	\$813 million	130.9 million coupons	\$655 million